

## COUNCIL ON HOUSING

Public Session

Liberty Court

Dover, DE

July 8, 2009

### ACTION ITEMS

- Diamond State Community Land Trust Grant Revision.
- Annual Election of Officers

On July 8, 2009, Norma Zumsteg, Vice Chair, called to order the Public Session of the Council on Housing at 2:02 p.m. In addition to Ms. Zumsteg, the following Council members were present:

Russ Huxtable  
Hugh Leahy  
Connie Louder  
Bill Pearson

Ralph Peters  
Ruth Sokolowski  
Vincent White

The following Council members were absent and excused from the meeting:

John Walker

The following persons also attended the meeting:

Anas Ben Addi, Director, Delaware State Housing Authority (DSHA)  
Lynda Blythe, Administrative Specialist III, DSHA  
Marlena Gibson, Management Analyst III, DSHA  
Matthew Heckles, Legislative and Policy Advisor, DSHA  
Jerry Jones, Housing Finance/Development Administrator, DSHA  
Timothy McLaughlin, Deputy Director, DSHA  
Chris Whaley, Housing Management Program Administrator

Guests present:

Rufus Mincey, Dover Housing Authority (DHA) and Dover Community Partnership  
Gina Miserendino, Delaware Housing Coalition  
Ami Sebastian-Hauer, DHA and Dover Community Partnership  
Mike Skipper, WSFS  
Van Temple, Diamond State Community Land Trust

## **APPROVAL OF MINUTES**

Mr. White moved that the June 10, 2009 Minutes be approved as written. Mr. Huxtable seconded the motion which was approved unanimously.

## **HDF STATEMENT**

Mr. Jones reviewed the attached HDF statement by noting:

- Item #118, King Plaza - is the final preservation project from FY09 funding.
- Item #119, Carvel Gardens Annex - closed in June and bids for the work are due July 13.
- Item # 121, Windsor Apts. - construction closing is scheduled for July 14.
- Items #124, West Center Village, 125, Monroe Terrace, and 126, Arbor Place III – underwriting for each of these ranked tax credit projects is currently underway and will be presented to Council for funding within the next few months.
- Item #127, Milford Housing Development Corp. - requested HDF funds, as well as funds from Rural Development, for financing for six affordable housing units named Houston-Lucas Apartments, in Milford.
- The Ministry of Caring, in Wilmington, submitted an application (too late for inclusion on this statement) for gap financing for a 21-unit transitional housing project for women and children.
- Not listed on the statement is Marrows Court which ranked for tax credits but did not request HDF funding.

Regarding the recently approved budgets, Mr. Jones was pleased to report that DSHA had received \$4.07 million in regular HDF funding, \$2.5 million from the Bond Bill for preservation, and \$250,000 for the DEMAP program for a total of approximately \$6.8 million.

Mr. White asked if Council had been advised about the Ministry of Caring's application prior to submission. Mr. Jones responded yes, DSHA had met with Ministry of Caring representatives in February 2009 regarding their application.

## **DIAMOND STATE COMMUNITY LAND TRUST (DSCLT) GRANT REQUEST**

Mr. Jones reviewed DSCLT's gap financing funding requests:

- May 13 – \$90,000 for three houses in the Wilmington area - approved by Council.
- June 10 – \$60,000 for two houses in Dover – no action was taken by Council.

DSHA is now requesting that Council reconsider the \$60,000 June request as it is in line with typical funding. Mr. Jones recognized Council's reluctance to fund the two additional homes was due to the large amount of subsidy involved in them but noted that DSCLT is not a large

developer and had to partner with other nonprofits in developing affordable housing which, in this case, is Dover Housing Authority, who had already purchased the Dover properties. Mr. Jones, while commending DSCLT on their success in securing additional funding so that DSHA's contribution would be only 12-13%, assured Council that DSCLT understands the necessity to purchase homes requiring much less subsidization. Mr. Jones stated that it was the Loan Review Committee's recommendation that DSCLT provide a 12-month performance review and have that condition be incorporated into the Resolution, if the funding was approved.

Mr. Temple, using the attached handouts, next spoke about the equity formula issue, which some Council members felt was unfair to the homeowner when homes were sold, stating:

- There are four types of resale formulas: appraisal, itemized, mortgage-based and index.
- DSCLT is using the most commonly used appraisal based-formula.
- DSCLT's formula provides a good balance of passing equity to departing sellers while maintaining affordable pricing for the home.
- The homebuyer builds equity by paying the mortgage.
- It is anticipated Delaware homeowners will make, depending on their length of homeownership, approximately \$9-13,000 upon the sale of their home.
- Each homeowner receives HUD certified training and is informed about CLTs. If interested, the homebuyer then receives specific training by DSCLT so they are thoroughly informed prior to purchasing a CLT home.
- CLT homeownership is designed for those people who have limited income to qualify for a typical starter home.
- DSCLT information is based on the best possible information from groups nationwide.
- Mortgages are standard, fixed rate, 30-year mortgages only.
- Mortgage refinancing can only be done with the approval of DSCLT.
- No formula is perfect but can be modified by DSCLT if deemed necessary.

Ms. Zumsteg presented Resolution No. 386 for approval. Mr. Huxtable moved that the Resolution be approved and Mr. Leahy seconded the motion. Mr. White stated he is still not convinced the equity formula is as it should be, that it favors DSCLT rather than the buyer and offers no incentive for participation. Mr. White is also concerned that the homes are located in scattered sites rather than distinct communities. Mr. Leahy stated, even though the subsidization is high, he believes there are two reasons for approving the request: 1. the permanent affordability element of land trust ownership; and, 2. that the requirement of a 12-month performance report will either prove or disprove the success of a CLT.

Mr. Huxtable stated that he is a board member of DSCLT and, therefore, will abstain from voting, however he wanted it known that he agreed with Mr. Leahy's position. Mr. Huxtable cited the permanent investment in affordable housing and the thorough training to potential homebuyers of a CLT as reasons for approval of the Resolution.

Mr. Pearson stated he agreed with Mr. White in that the equity should favor the buyer and that there is no guarantee of the amount of equity received. Mr. Pearson also dislikes the 99-year concept between the buyer and the land trust and expressed his concern about the criteria of the 12-month report. However, Mr. Pearson stated, he is in favor of the CLT concept and will vote to approve the Resolution.

Mr. White again expressed his concern about the equity and questioned if the homeowner would get his down payment back upon the sale of their home. Mr. Temple responded yes, they would. Ms. Sokolowski further explained that the homeowner should receive 100% of their down payment as well as a share of the equity gain between the original appraised value and the appraisal when sold. Mr. Peters stated he also does not like the equity formula and that the entire project is over subsidized.

Mr. White asked if a market study had been performed on any of the areas where the homes are planned. Mr. Temple explained that the lower sale price of a CLT, compared to a market rate home, is the reason some people will participate in a CLT. Mr. Leahy stated the CLT selling price of the Dunleith properties near Wilmington was around \$125,000 whereas the market rates were approximately \$175,000. Mr. Leahy continued that if there is compulsory counseling and buyers come forward the CLT will be a success. However, Mr. Leahy continued, if buyers cannot be found, the homes will be given, by previous agreement, to Interfaith Community Housing, Inc. to sell at market rate. Mr. Peters continued to believe there is little value gained by purchasing a CLT home without the land value as opposed to a home with land. Mr. Temple reiterated that, although the CLT homeowner does not own the land, should the land value increase at the time of the sale appraisal, the homeowner would receive a percentage of that increase also.

Ms. Sokolowski stated her pleasure in DSCLT providing another tool for affordable housing in Delaware and that Council can be of assistance to this program. Ms. Sokolowski conceded that the total development costs are high, as is the subsidy required; however, because the homes will remain affordable she believes that balances the investment and is in favor of the projects. Ms. Sokolowski also noted that CLT homeowners receive the same tax benefits as other homeowners and those monetary benefits could potentially lead to the homeowner purchasing a market rate home. The fact that the homeowner, upon the sale of their home, would receive their entire downpayment and a portion of the equity they have built up helped convince Ms. Sokolowski to vote in favor of the projects.

Council then passed Resolution No. 386 with four yes votes, two no votes, one abstention and Ms. Zumsteg not voting as the Chair votes only in case of a tie vote.

Mr. Temple thanked Council for their approval and noted DSCLT is also part of the Neighborhood Stabilization Program (NSP) and expected to come back with more funding requests since he was confident the original five would be successful.

## **DSHA REPORT**

### **American Recovery and Reinvestment Act of 2009 (ARRA)**

Using the attached handout, Mr. Jones began with a recap of ARRA as it relates to the DSHA Low Income Housing Tax Credit Program (LIHTC) by stating:

#### **Tax Credit Assistance Program (TCAP)**

- Two public ARRA workshops were held in April in New Castle and Kent counties.
- A subsequent five-day public comment period was also posted which is a program requirement.
- ARRA information will be placed on DSHA's website.
- TCAP is a HUD program via HOME funding that includes various restrictions, one of which is investor involvement.
- DSHA has a number of projects that will be involved in the program.
- HUD approval for the program, for 2007, 2008 and 2009 projects, has been received by DSHA with a funding level of \$6.6 million.
- One 2007 project will be utilizing the Tax Credit Exchange Program and at least two in either 2008 or 2009 will use TCAP funds.
- Key dates of the TCAP program are: 2/17/10 – commitment of 75% of the funds, 2/17/11 – 75% expenditure of funds and 2/17/12 – 100% expenditure of funds.

Mr. Leahy asked how many housing units the \$6.6 million would assist. Mr. Jones said it is difficult to determine at this time. Mr. Ben Addi stated the number of units, between the TCAP and Exchange Programs combined, that had been approved by Council but did not go to construction between 2007 and 2008 due to lack of gap financing would answer Mr. Leahy's question. Mr. Jones state approximately 250-300 units would be involved.

Mr. White asked if requests were being prioritized as of 2008. Mr. Jones responded that both programs contain priorities and that shovel-ready projects are being reviewed first. Continuing, Mr. Jones, stated some of the restrictions to qualify for TCAP funding include an environmental review, a requirement to pay Davis-Bacon wages and that the project have an investor. Ms. Sokolowski asked if all the HOME funding rules would apply to TCAP, to which Mr. Jones responded they would. Mr. Huxtable asked if there was a minimum amount of equity investment by the investor. Mr. Jones replied no, however, net to the deal should be in the mid-\$.60's.

#### **Tax Credit Exchange Program**

Mr. Jones explained this is a tax credit assistance program for those projects which have tax credits but either no investors or investors for only a portion of the credits. The program allows those projects to exchange credits for \$.85 on the dollars (times 10 years as the tax credits are for 10 years). Mr. Jones gave the example that DSHA could exchange with the

IRS 40% of the \$2.6 million 2009 allocation for approximately \$9 million in cash. IRS would then establish a line of credit from which DSHA could draw to make the unfunded or partially-funded projects work. Mr. Jones noted that this program is for 30-year grants.

In conclusion, Mr. Jones noted:

- TCAP funds are from HUD.
- Exchange credits are from the IRS.
- DSHA expects all exchange requests will be received by the end of 2009.
- All exchange funds will be expended by January 1, 2011.

#### Neighborhood Stabilization Program Competitive Program (NSP2)

Ms. Gibson began by explaining that NSP1 was formula-based, requiring DSHA to describe to HUD how the program would be handled and define the areas of greatest need; whereas, NSP2 is a competitive program wherein DSHA would have to make a case for where and why the funds were needed.

Using the attached handout, Ms. Gibson then reviewed the NSP2 background, key points, principles, target geographics, Delaware response and public comment timeliness and process.

Ms. Sokolowski asked for further clarification between the two programs. Ms. Gibson responded that both programs' funds will be used similarly by local governments to do more purchasing and rehabilitation in the same areas. One addition to NSP2 is that there are financing mechanisms in place for areas in not as much need for rehabilitation as those designated in NSP1. One proposed use of the funds, Ms. Gibson continued, would be a statewide downpayment assistance program working with the counties, limiting the funding to \$35-40,000, to assist in the purchasing of homes, not necessarily requiring rehab, currently vacant and/or in foreclosure.

Mr. White asked if the NSP1 funds were being utilized at this time and if there would an overlap of the targeted zip codes by the two programs. Ms. Gibson stated yes, draws on NSP1 are being made and, referring to the attached maps, conceded there will be some overlapping of areas. Mr. White questioned if DSHA would be making the best use of NSP2 funds since the results of NSP1 are still unknown. Mr. White stated that it will be difficult to ascertain results as the sites receiving funds are scattered throughout the state and that he would like to see a more creative plan, i.e. stimulus funds would be held and given to one or more agencies who demonstrate a proven plan.

Mr. Ben Addi stated DSHA had control of the use of funds in NSP1 but had to quickly apply for NSP2 funds or none would be received. Mr. Ben Addi also explained that the zip codes were dictated by HUD and are the only areas where funds could be used.

Mr. White asked that his comments be made a part of the public comments for the NSP2 application. Mr. White believes the two programs, because there is no time to determine and report on the impact of NSP1 before implementing NSP2, will merely maintain the status quo and neighborhoods will neither be stabilized nor will long-term homeownership opportunities be provided to those most at risk.

Mr. Leahy asked, because eligible applicants include other than government entities, if word was out about the program so those applicants would apply. Ms. Gibson said yes, NSP2 arose from discussions with the NSP1 group who has already contacted many of the non-profits and local governments who are participating; however, the application process is rather daunting and will preclude many entities from applying. Mr. Leahy also asked if the Sussex County areas targeted are, in fact, beach areas. Ms. Gibson responded, yes, those zip codes had some of the highest scores in Delaware. Mr. Peters and Mr. White noted a good portion of the Sussex County scoring was due to the economy wherein people are walking away from their beach home mortgages. Ms. Gibson stated Sussex County's approach is to help the local workforce in the beach area utilizing local hospitals and schools to identify buyers in their area. Mr. McLaughlin reiterated the targeted areas are census tracts and zip code driven and not determined by DSHA but by HUD.

Mr. Peters asked if it were possible to identify three or four areas of 20-40 homes each where the application of these funds would be more visible. Ms. Gibson stated jurisdictions have been strongly encouraged to cut back their target census tracts as much as possible and by combining other resources greater impact will be visibly achieved. Mr. Ben Addi stated it will be more difficult in Kent and Sussex Counties to combine other resources for a greater impact. Ms. Gibson stated that Kent and Sussex Counties, like New Castle County, will probably focus more on specific subdivisions which are struggling. Mr. White said by focusing on distressed areas the government entities do not take into account what is happening in the marketplace. Mr. White asked if there would be subsidy caps on the possible rehab properties. Ms. Gibson responded the estimated number of 139 homes to receive stimulus funding was formulated by using estimates from the jurisdictions and that DSHA believes it is a conservative number and more homes will be helped. Mr. Peters asked if there were any applications now on hand, perhaps by a single entity, that would encompass the majority of the 139 homes. Ms. Gibson responded only local government entities are applying and that DSHA is working with them to identify the number of homes they would like to do in what census tracts.

#### Capital Fund Recovery – Competitive Grant

Mr. Whaley, also using the attached handout, explained this program is a \$1 billion grant competition, comprised of four categories, for which public housing authorities nationwide can apply. Mr. Whaley stated the Notification of Funding Availability was only received June 3rd so there was not much time to prepare for the applications which were due electronically to HUD by July 6<sup>th</sup>. The four categories are:

1. Improvements Addressing the Needs of the Elderly and/or Persons with Disabilities.

The nationwide funding level for this program is \$95 million with Delaware (as a high performing public housing authority) eligible in Round 1 to share in \$47 million and \$48 million in Round 2 and the most DSHA could apply for in this category was \$1.2 million.

DSHA submitted two applications, each in the amount of \$447,165, for funding to convert 12 units at both Peach Circle and McLane Gardens to Uniform Federal Accessibility Standards (UFAS) compliance.

2. Public Housing Transformation - DSHA does not have any properties eligible to submit in this category.
3. Gap Financing for Projects Stalled due to Financing Issues - DSHA does not have any projects that meet the requirements of this category.
4. Creation of Energy Efficient, Green Communities.

DSHA applied to replace the gas heaters and air conditioning with high efficiency Energy Star products, the conventional water heaters with a tankless water heater and the refrigerators with Energy Star refrigerators in Holly Square, near Middletown, which was built in 1974. A similar application will be made for Burton Village in Rehoboth for basically the same type of work.

An application was also submitted to replace all the refrigerators at Liberty Court with Energy Star refrigerators.

Mr. Whaley is working with the Delaware Dept. of Energy to apply to set up pole-mounted solar electric panels at Mifflin Meadows, in Camden, and Hickory Tree Apartments in Selbyville. The goal is to install enough panels to offset the electric usage at the community buildings which encompasses offices, utility rooms, laundry facilities, daycares, etc.

Mr. Peters asked if the use of geothermal energy was investigated. Mr. Whaley responded that most of the complexes use gas and those that use heat pumps do not have the ground area to utilize geothermal. Mr. Leahy asked if the utilities in the targeted units are resident-paid. Mr. Whaley said they are and that the residents would see big improvements if the applications were accepted.



The leveraging requirements are different for each category and, depending upon their approval and funding needs, the leverage funds may be borrowed or requested from the HDF.

Mr. White asked if there was a return on investment requirement in the application. Mr. Whaley responded no; however, returns could be seen in greater energy efficiency and possibly excess solar power generation that could be sold back to the power companies.

Mr. Peters asked if the leverage funds could be raised by bonds. Mr. Whaley replied no, the amount of funds needed are too small for bond purposes. Mr. Huxtable asked if other sources of funding could be used, i.e. a grant from WSFS bank. Mr. Whaley said a number of sources could be considered. Mr. Whaley concluded by stating HUD does not permit use of federal funds for the leverage dollars.

## **CONFLICT OF INTEREST POLICY**

Referring to the copy of the Conflict of Interest Policy attached, Mr. White asked for clarification of the Post Service Restrictions section specifically citing "...if he or she participated in the discussion or decision process on such matter in the course of their official duties as a member of the Council." Ms. Zumsteg confirmed the section applies to only those matters discussed while being a Council member. Ms. Zumsteg reminded Council that the policy had been previously approved and it was now time for each member to complete, sign and return the forms to Ms. Blythe as soon as possible.

## **OTHER BUSINESS**

### **Election of Officers**

Ms. Louder stated the names of Mr. Walker as Chair and Ms. Zumsteg as Vice Chair were placed in nomination at the June meeting but additional nominations could be made at this time. Mr. Huxtable moved that the nominations be closed, Mr. Peters seconded and the motion was unanimously approved. Council then approved the nominations by a vote of 7 yes and zero no votes.

### **Strategy Sessions Update**

Ms. Zumsteg stated the attached report by Dr. Leland was for Council's information and any actions needed would begin at the August meeting when Mr. Walker would be in attendance. Mr. McLaughlin stated Dr. Leland felt it important that Council receive, as soon as possible, the report of the motions made during the sessions and that Dr. Leland's full report will be sent to the Council at a later date. Ms. Louder asked if Dr. Leland would be presenting her report and Mr. McLaughlin stated she would not.

## New Business

Ms. Louder stated the Operations Committee is working on defining desirable characteristics for a Council member by preparing a self-evaluation survey to determine what professional background, skills, experiences and demographics comprise the current Council. The survey will contain some or all of the criteria listed on the attached handout for which members are to rank themselves as to the extent to which they feel qualified in each area and then describe the nature of their experience or training for that criteria. Council members are welcome to suggest additional criteria to be considered and to be as detailed as possible in completing the survey. The purpose of the survey is to determine areas currently lacking which will be communicated in a letter to the Governor for his use in determining future appointees. Mr. Heckles will be sending the survey via email to Council within the next week and asks that they complete and return their survey to him no later than July 31<sup>st</sup>. Council approved the Committee to review the surveys and communicate their findings to the Governor. Mr. Heckles also noted that all appointments made by the Governor to all councils are reviewed by the Governor's staff to make sure the council is in compliance with code issues.

Mr. White asked that the August agenda include discussion, so that a letter could be written to DSHA, to encourage DSHA to utilize minority and women-owned businesses in their procurement efforts. Mr. White also asked if it was time for Council to plan meeting with the Governor to thank him for not decreasing the budget. Ms. Zumsteg said Council typically meets with the Governor in December. Mr. Jones stated a thank you letter will be prepared for Mr. Walker's signature and sending prior to the August meeting.

Ms. Sokolowski recommended that clearly stated charters of the range of responsibilities for each committee be documented.

Mr. White asked if presentations from DSHA staff regarding various programs would be on-going. Ms. Zumsteg assured him education, whether by DSHA staff or others, would be on-going. Mr. White then asked that a legislative update be given at the August meeting.

Ms. Sokolowski asked Mr. Ben Addi if he would be presenting a possible seasonal-funding process for various programs in the near future. Mr. Ben Addi stated it would be presented at the August meeting. Ms. Sokolowski asked if the presentation would include the underwriting criteria that would become the policy framework as discussed during the strategy sessions. Mr. Ben Addi stated probably only the timeline of how things would work will be completed and ready for presentation in August. However, Mr. Ben Addi assured Council that the policy, in terms of the underwriting, ranking, the points system and the weights, will be discussed with them before anything is published and will probably be presented in September in hopes of opening the rounds in September/October.

Mr. White stated the Delaware Housing Coalition (DHC) has issued their third annual report and requested they be invited to attend the October Council meeting to discuss their findings and

how DSHA's five-year plan may or may not affect them. Ms. Miserindo distributed a copy of the report to each Council member and stated recommendations are contained in the report which is also available on-line. Ms. Zumsteg stated DHC will be asked to give a presentation at the October meeting.

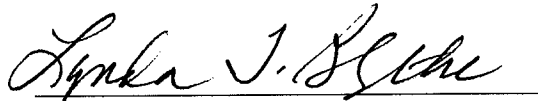
#### **SCHEDULING OF NEXT MEETING**

Ms. Zumsteg stated the next Council will be held on August 12, 2009 at 2:00 p.m. at the Buena Vista Conference Center in New Castle.

#### **ADJOURNMENT**

Mr. Pearson moved, and Mr. Leahy seconded, that the meeting be adjourned. The motion was unanimously approved and the meeting adjourned at 4:07 p.m.

Respectfully submitted,

  
Lynda T. Blythe

Note: Copies of materials referenced as "attached" in these Minutes are available upon request.